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A Study of Small and Medium Business & Their Operational Limitations with Special Reference to Nanded

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ABSTRACT

In this research study the researcher has made an attempt to analyze the relationship between inputs used and output produced i.e. Productivity. This is done with special reference to small and medium business in Nanded district of Maharashtra state. Sample units from manufacturing, retailing and services are selected and surveyed & data collected and analysed so as to check the major challenges for productivity improvements in small and medium business. A rank scale is used and ranking is given to challenges for productivity improvements.

Keywords:- Small and Medium Business, Productivity, Challenges for productivity.

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Introduction

Productivity

Productivity is the relationship between inputs used and output produced. As far as inputs are concerned, we have to take all the resources that go into production, such as material, man hours, machine hours, money etc. Therefore, when we talk about productivity, the question arises as material productivity, machine productivity or labor productivity. Hence while calculating it, we take one particular resource, then we say it is the productivity of that particular resource. Productivity is an economic measure of output per unit of input. Inputs include labor and capital, while output is typically measured in revenues and other GDP components such as business inventories. Productivity measures may be examined collectively (across the whole economy) or viewed industry by industry to examine trends in labor growth, wage levels and technological improvement.

Productivity is the ratio of output to inputs in production; it is an average measure of the efficiency of production. Efficiency of production means production's capability to create incomes which is measured by the formula real output value minus real input value. Increasing national productivity can raise living standards because more real income improves people's ability to purchase goods and services, enjoy leisure, improve housing and education and contribute to social and environmental programs. Productivity growth also helps businesses to be more profitable.

Economic well-being is created in a production process, meaning all economic activities that aim directly or indirectly to satisfy human needs. The degree to which the needs are satisfied is often accepted as a measure of economic well-being. The satisfaction of needs originates from the use of the commodities which are produced. The need satisfaction increases when the quality-price-ratio of the commodities improves and more satisfaction is achieved at less cost. Improving the quality-price-ratio of commodities is to a producer an essential way to enhance the production performance but this kind of gains distributed to customers cannot be measured with production data.

Economic well-being also increases due to the growth of incomes that are gained from the growing and more efficient production. The most important forms of production are market production, public production and

production in households. In order to understand the origin of the economic well-being we must understand these three processes. All of them have production functions of their own which interact with each other. Market production is the prime source of economic well-being and therefore the "primus motor" of the economy. Productivity is in this economic system the most important feature and an essential source of incomes.

Productivity gains are vital to the economy because they allow us to accomplish more with less. Capital and labor are both scarce resources, so maximizing their impact is always a core concern of modern business. Productivity enhancements come from technology advances, such as computers and the internet, supply chain and logistics improvements, and increased skill levels within the workforce.

Productivity is measured and tracked by many economists as a clue for predicting future levels of GDP growth. The productivity measure commonly reported through the media is based on the ratio of GDP to total hours worked in the economy during a measuring period; this productivity measure is produced by the Bureau of Labor Statistics four times per year.

SMALL AND MEDIUM BUSINESS:

Govt. of India defined micro, small and medium business in their policy statement of 2006. Therefore it is interesting to know and understand the meaning of micro, small and medium business. In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:⁶

(a) **Manufacturing Enterprises-** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951). The Manufacturing Enterprise is defined in terms of investment in Plant & Machinery.

(b) **Service Enterprises:** The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, vide S.O. 1642 (E) dated 29.09.2006 are as under:

Manufacturing Sector	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
Service Sector	
Enterprises	Investment in equipments
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees

1.3 PROFILE OF NANDED CITY:

Nanded is the second largest city in the Marathwada region of Maharashtra state, India. It is also headquarter of the Nanded district of the Maharashtra state. It is an important holy place for thy Sikh faith and is famous for Hazur sahib Gurudwara. Nanded city has several educational institutes offering education in the areas like engineering, polytechnic, Medical, Pharmacy, Agriculture, Biotechnology, Arts & commerce etc. Nanded city's MIDC having number of solvents plants in which DOC is produced and sold to Indian and foreign companies. These solvents plants also play vital role in Economy of Nanded. Nanded District also has more importance in the agriculture sector due to the large production of Banana's. In Nanded Banana research center is located. Nanded also seems to have lacked any entrepreneurial visionaries that would have utilized this educated labor pool & turned it in to a center of Industrial & commercial activity. Tata Chemicals in support with Pune based Ethanol Maker Praj Industries has set up a state of art ethanol plant at Krushnoor MIDC near Nanded.

The Business scenario in Nanded is majorly the trading business with small amount of manufacturing & services business. Small and Medium Business Houses covered under the category of SMEs have been established in almost all-major sectors in the Nanded industry such as:

- Food Processing
- Agricultural Inputs
- Chemicals & Pharmaceuticals
- Engineering; Electricals; Electronics (Watches, Consumer Durables, Automobiles)
- Electro-medical equipment
- Textiles and Garments (Clothing)
- Leather and leather goods (Foot ware)
- Meat products
- Bio-engineering
- Sports goods
- Plastics products

- Jewellery
- Health and Beauty
- Catering, Restaurants and Hotels
- Food and Grocery
- Mobiles
- Books and Musics
- Furnishings
- Entertainments
- Function Halls
- Restaurants
- Drycleaners
- Coaching Classes
- Color Labs
- Computer Solutions and Training
- Dairy Products

• **Research Methodology:-** This study is empirical in nature. The empirical data have been collected for analyzing performance of small and medium business houses by conducting a survey by using a questionnaire. The sample is selected by following deliberate (convenience) sample technique. Small and medium business houses are advertising their products. Nanded an important city of Marathwada region of Maharashtra state is selected for the study. There are about 6000 small and medium business houses are operating in Nanded city. Consisting of manufacturing, services and retailing units. Five percent units have been selected by following convenience non random sampling method. By giving equal weightage to all the three segments. Considering the convenience of the researcher information from 300 small and medium business houses were supposed to be collected. However only 281 (response rate 93.67%) small and medium business houses responded to the researcher. The collected data is analyzed and conclusions have been drawn. In Nanded city under the small and medium business houses small scale industries as well as retailers and service providers are working. 100 small scale manufacturing units 100 retailers and 100 service providers constitute the sample

size of the study. Population of the small and medium enterprises is unknown. Researcher tried to study the above three categories. However, 89 manufacturing units, 94 service providers and 98 retailing units have given information. Sample survey method is used for this research work. Personnel interviews based on common scheduled of questionnaire was considered. It is based on data personally collected with the help of an exhaustive questionnaire which can be seen in appendix. Questionnaire has been pre tested before commissioning it in to the field for collection of relevant data. Small and medium business houses were classified in to three

categories i.e. 1) manufacturing 2) services and 3) retailing.

• **Data Analysis:-**

Small and medium business houses are producing their products / services through different ways. The factors which will have influence on their productivity are identified as technical knowhow, available infrastructure, Man power, Legal as well as financial problem. Researcher ranked these problems with the help of table.

Table
Ranking Of problems

Problems	R.S. W	1	2	3	4	5	Total W.M.	Rating Percen- tage	Rank
		5	4	3	2	1			
Technical Knowhow		61 305	87 348	54 162	37 74	42 42	281 931	23.78	II
Financial Problems		108 540	59 236	46 138	41 82	27 27	281 1023	24.27	I
Infrastructure		19 95	32 128	42 126	55 110	133 133	281 592	14.05	V
Manpower		27 135	46 184	48 144	96 192	64 64	281 719	17.06	IV
Legal		66 330	57 228	91 271	52 104	15 15	281 950	22.54	III

Source : Field Survey.

R.S. = Rank Scale, W = Weight, W.M. = Weighted Mean,

Table presents the findings about ranking of problems for productivity of small and medium business houses in Nanded city. The various alternatives given were Technological knowhow , financial constrains, infrastructure in the city, manpower available with small and medium business houses and legal problems. The respondents were asked to give rank 1, 2, 3, 4 and 5. 1 was given to the most crucial and 5 was given to least crucial problem. The weight of 5, 4, 3, 2 and 1 to ranks 1, 2, 3, 4 and 5 respectively and weighted mean is calculated by multiplying rank with the weight. The rating percentage is calculated by dividing individual weighted mean by total weighted mean. It is observed that financial problem is most important problem for

advertisement by small and medium business house. The weighted mean for financial problems is 1023 and rating percentage is 24.27. The knowhow is 2nd rank with weighted mean of 931 and rating percent of 23.78. It is followed by legal problems with weighted mean of 950 and rating percentage of 22.54. Further manpower problems were given 4th rank with weighted mean 719 and rating percentage of 17.06. The infrastructure for small and medium business houses stood at 5th rank with weighted mean of 592 and rating percentage of 14.05. It is found that biggest problem for productivity management of small and medium business houses is financial problem.